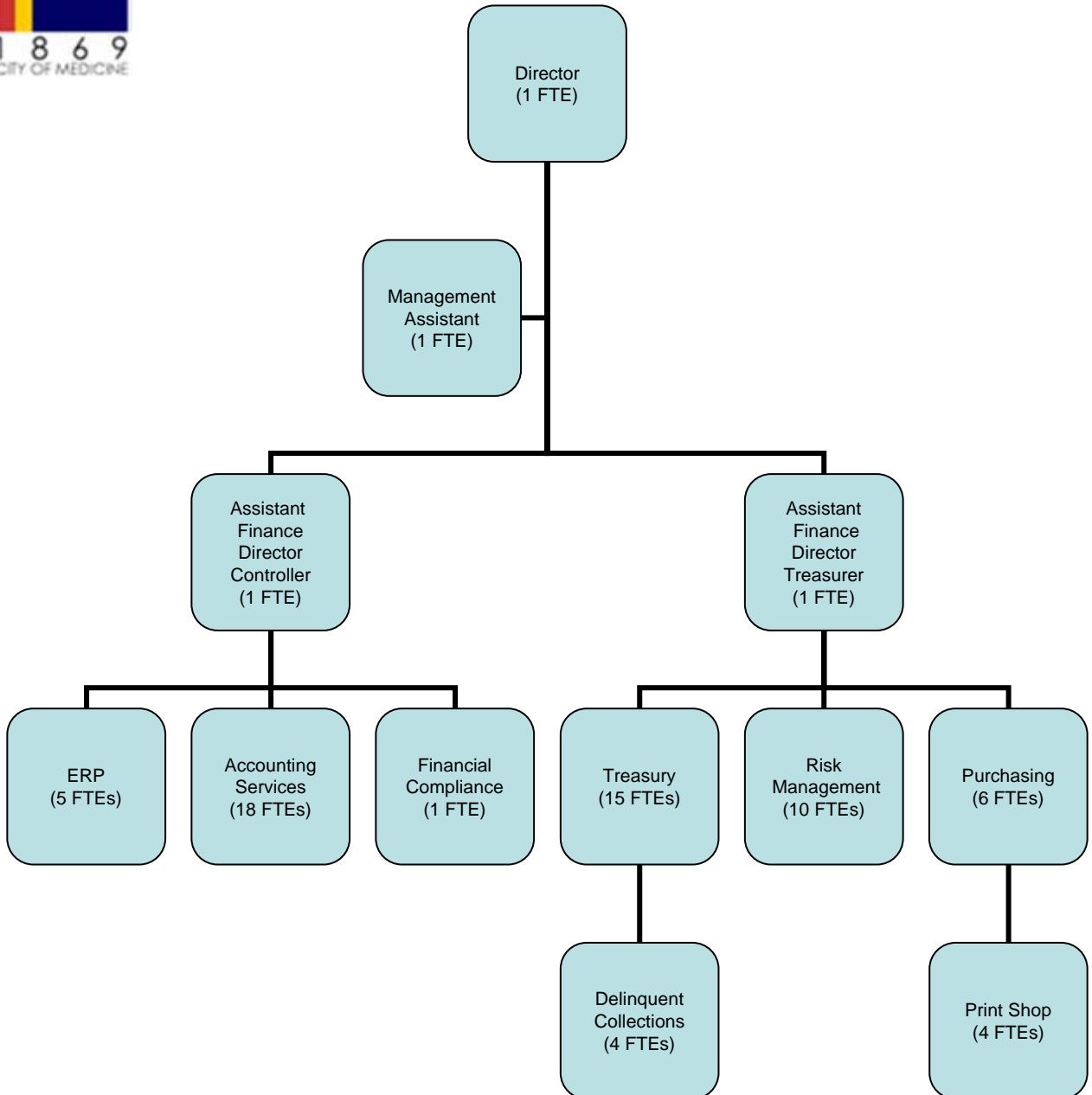




Finance

(67 FTEs)



FINANCE

Mission:

To protect the City's assets, efficiently process and record financial transactions, enhance fiscal integrity, provide timely, accurate and comprehensive financial reporting and analysis, and to professionally and prudently enhance the City's financial position.

PROGRAM DESCRIPTION

Office of the Director**\$479,169****4 FTEs**

The Office of the Director is the primary advisor to the City Manager, City Council and departments in the areas of financial planning, investments, debt management, financial reporting, purchasing, collections, risk control and risk financing. The office also provides leadership in the development and implementation of citywide financial policies.

Accounting Services**\$1,184,470****18 FTEs**

This division provides two primary functions: accounting operations and financial reporting. The accounting operations function is responsible for accounts payable, accounts receivable, payroll administration and maintenance of the City's financial information system. The financial reporting function is responsible for preparing the annual audited financial report, coordinating the annual audit conducted by external certified public accountants, preparing monthly financial statements and preparing special reports and analysis.

Financial Compliance**\$56,306****1 FTE**

This division ensures that contracts and change orders are properly executed in accordance with State Statutes and City Codes. Once fully staffed, this division will also provide financial review of grants received by the City and loans made by the City, identify compliance issues, and assist in the fulfillment of financial requirements. These functions have been absorbed by Accounting Services.

Purchasing**\$629,375****10 FTEs**

The Purchasing Division prepares bid specifications and solicits bids for supplies, services, and equipment for all city departments. All bid solicitations and awards are done in compliance with State Statutes and the City's Small and Disadvantaged Business Enterprise Ordinance. Also included in this division is the management of the City's telephone services and the sale or transfer of surplus equipment and material. The Print Shop also reports under this division and provides duplicating, printing, and mail services for the City.

Risk Management**\$989,434****10 FTEs**

This division protects the City's assets from loss through the identification, control and financing of various operational and professional risks. The primary functions include occupational safety and health, loss prevention, administration of liability and workers' compensation claims, contract review, insurance purchases, and financing of uninsured risks.

Treasury**\$2,726,748****19 FTEs**

The Treasury Division includes cash, portfolio, debt management, and banking services. The cash management program is responsible for forecasting, collecting all revenues due to the City, and monitoring the tax collection contract. This program also issues business licenses for the City. Portfolio management includes investing the City's funds and monitoring contracts with external money managers. The debt management program includes approval and issuance of all the City's debt instruments. Banking services for the City are also coordinated through this division. Some of these activities are funded through the Water and Sewer Fund. The Delinquent Accounts unit is responsible for collecting past due bills owed to the City.

Enterprise Resources Planning (ERP)**\$758,578****5 FTEs**

Implementation of the ERP system is currently scheduled to be completed by March 2008. The ERP Project will be the Finance Department's primary focus for the next fiscal year and it will provide the basis for process improvements and efficiency measures for all finance, human resources and billing operations currently performed by the City.

RESOURCE ALLOCATION

	Actual FY 2005-06	Adopted FY 2006-07	Estimated FY 2006-07	Adopted FY 2007-08	Change
Appropriations					
Personal Services	\$ 3,673,870	\$ 4,182,262	\$ 4,032,912	\$ 4,331,317	3.6%
Operating	2,150,419	1,956,094	1,931,449	2,474,663	26.5%
Capital	28,190	9,400	1,550	18,100	92.6%
Total Appropriations	\$ 5,852,479	\$ 6,147,756	\$ 5,965,911	\$ 6,824,080	11.0%
Full Time Equivalents	64	65	65	67	2
Revenues					
General Fund					
Discretionary	\$ 5,375,722	\$ 5,609,191	\$ 5,461,668	\$ 6,297,509	12.3%
Program	257,030	257,030	257,030	257,030	0.0%
General Fund	\$ 5,632,752	\$ 5,866,221	\$ 5,718,698	\$ 6,554,539	11.7%
Water & Sewer Fund	219,727	281,535	247,213	269,541	-4.3%
Total Revenues	\$ 5,852,479	\$ 6,147,756	\$ 5,965,911	\$ 6,824,080	11.0%

BUDGET ISSUES FOR FY 2007-08

- The continued implementation of the Enterprise Resource Planning System includes 5 fulltime personnel. In addition, a significant amount of existing staff time will be dedicated to the implementation effort. At its peak, the project uses as many as 20 FTEs from existing personnel in the Finance, Technology Solutions and Human Resources departments. This dedication of labor will require strategic backfilling of some positions in order to avoid disruptions in normal workflow. A considerable amount of effort will be spent in adopting best practices and managing the organizational change process.
- The Accounting, Treasury and Purchasing divisions will be continuing to work on implementation tasks for ERP throughout the year. Finance will take a lead role, along with Human Resources and Technology Solutions, to manage the project and provide subject matter experts to define business rules in the new system. The impact of the financial and purchasing modules, which went live July 1, 2006, as well as the implementation of the HR and payroll modules, which went live January 1, 2007, has created unique internal customer service demands.
- The distributed billing systems currently used by the City contain numerous inconsistencies and inefficiencies. The implementation of ERP will provide stronger central control over billing. Staffing this function and integration with existing departmental systems will be an ongoing challenge.
- Several functional areas are minimally staffed and can not absorb prolonged employee absences without reductions in the level of service.
- The use of the State's Debt Set-Off Program has significantly increased collections on previously inactive delinquent accounts. Durham is consistently one of the top two cities in collections statewide through the debt set-off program. Expansion of the debt set-off program and dedicated staff will provide an even greater level of collection.
- Controlling losses caused by preventable accidents will continue to be a priority of Risk Management. Coordination of departmental safety efforts with Risk Management's centralized safety systems will be a major challenge. Automation and modernization in the Employee Health Service Clinic are efforts which began in FY 2007 that will continue into FY 2008.

UNFUNDED OR UNDERFUNDED ITEMS

• Print Shop Supervisor	\$60,000
• Wellness Pilot Program – PWOC	\$101,150
• Assistant Purchasing Manager	\$77,000
• Loss Prevention Initiative	\$100,000
• Accounting Specialist	\$50,500
• CAFR/Popular Reporting Upgrade	\$10,000
• Travel and Training	\$19,000

COMPLETED INITIATIVES FOR FY 2006-07

- Reaffirmed AAA bond ratings from Standard & Poor's and Fitch IBCA and Aaa from Moody's.
- Successfully financed the Durham Performing Arts Center (DPAC).
- Completed implementation for first two phases of the ERP Project (financials/purchasing and HR/payroll).
- Continued working with departments to reinforce financial controls.
- Received the 21st consecutive Certificate of Achievement for Excellence in Financial Reporting for the City's comprehensive annual financial report.
- Provided financial analysis on major economic development projects including the Liggett & Meyers project and the DPAC.
- Closed on \$45 million of COPs and \$25 million of GO bonds at favorable market interest rates.
- Issued the third Citizens' Financial Report for mass distribution and submitted to GFOA for Popular Financial Report Award consideration.
- Received the City's second Award for Outstanding Achievement in Popular Annual Financial Reporting.
- Lead the effort to look at the entire slate of post-employment benefits in response to the new GASB 45 accounting and reporting rules for benefits provided to retirees.
- Provided training sessions for ERP, cash handling, professional services, contracting, and purchasing.
- Participated in State Debt Set-Off Program resulting in the recovery of more than \$115,000 in delinquent payments.

DEPARTMENT INITIATIVES FOR FY 2007-08

- Implement of Phases 3 and 4 of the ERP System.
- Adopt "best practices" as a part of ERP implementation.
- Review and update City financial and human resources policies and practices in conjunction with ERP implementation.
- Maintain the City's credit ratings.
- Manage cash flow, debt issuance and project control for 2005 Referendum Debt Authority.
- Prepare for implementation of GASB 45.

GOALS, OBJECTIVES & STRATEGIES FOR FY 2007-08

GOAL: *To strengthen financial accountability throughout the organization.*

OBJECTIVE: To provide timely and accurate reports to the City Manager and the City Council to support decision making and to disclose significant issues affecting the City's current and future financial position.

STRATEGY: Provide quarterly and annual financial reports to the City Manager and Council on a timely basis.

MEASURE:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
% Reports issued on schedule	100%	100%	100%	100%

GOAL: To make financial information available to decision makers in a timely fashion and to accurately process and record transactions.

OBJECTIVE: To provide timely and accurate financial information by the end of every month.

STRATEGY: Close each accounting period according to the established schedule.

MEASURE:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
# Accounting periods closed on time	12	12	12	12

OBJECTIVE: To issue a Comprehensive Annual Financial Report that is in compliance with all statutory and GASB requirements and provides useful discussion and comments concerning the City's financial condition, and to provide a Citizens' Financial Report.

STRATEGY: Issue a Comprehensive Annual Financial Report that qualifies for the GFOA's Certificate of Excellence in Financial Reporting.

MEASURE:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
Certificate awarded	1	1	1	1

OBJECTIVE: To publish a Popular Financial Report for public distribution that provides summary financial information in a format that is easy to read and informative.

STRATEGY: Condense the financial highlights of the CAFR, publish a report that meets the GFOA standards, and receive the Popular Report Award.

MEASURE:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
Popular Report Award	1	1	1	1

GOAL: To collect delinquent payments.

OBJECTIVE: To reduce valid delinquent receivables by 10%.

STRATEGY: Utilize the State Debt Set-Off Program to collect problem accounts.

MEASURE:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
Recoveries from debt set-off	\$200,000	\$100,000	\$115,000	\$100,000

GOAL: To purchase needed commodities and services in compliance with all applicable requirements in a timely manner and at the best possible price, and to provide duplication, reproduction and printing services.

OBJECTIVE: To maintain an average purchasing cycle time for routine purchases of 3 days.

STRATEGY: Develop a more efficient process for the City's purchasing and payment process.

MEASURE:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
Average cycle time for routine purchases	3	2	2	2

GOAL: *To improve the operational and financial results of the Risk Management System.*

OBJECTIVE: To reduce the number of claims incurred and the number of open claims by 5%.

STRATEGY: Continued implementation of current strategies including safety programs and timely reporting.

MEASURES:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
# Claims received	527	N/A	555	527
# Claims open	180	250	185	175
\$ Claims open	\$2,030,855	\$3,000,000	\$2,000,000	\$1,900,000

GOAL: *To provide cost effective liquidity management to the City.*

OBJECTIVE: To maintain the highest credit ratings.

STRATEGY: Present information to the rating agencies that illustrates the City's financial, administrative and economics strengths.

MEASURES:	Actual FY 2006	Adopted FY 2007	Estimated FY 2007	Adopted FY 2008
Credit rating issued by S&P	AAA	AAA	AAA	AAA
Credit rating issued by Fitch	AAA	AAA	AAA	AAA
Credit rating issued by Moody's	Aaa	Aaa	Aaa	Aaa